

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 7210

Joint petition of Central Vermont Public Service)	
Corporation (CVPS) and Vermont Electric Cooperative,)	Hearing at
Inc. (VEC): (1) for approval of the transfer of assets of)	Montpelier, Vermont
VEC's Southern District territory to CVPS; and (2) for)	November 17, 2006
an accounting order authorizing CVPS to defer)	
incremental costs associated with the transfer)	

Order entered: 12/4/2006

PRESENT: Kurt Janson, Hearing Officer

APPEARANCES: Victoria J. Brown, Esq.
Primmer Piper Eggleston & Cramer, PC
For Vermont Electric Cooperative, Inc.

Geoffrey Commons, Esq.
For Vermont Department of Public Service

Carolyn Anderson, Esq.
Kenneth C. Picton, Esq.
For Central Vermont Public Service Corporation

I. INTRODUCTION

In this proceeding, Central Vermont Public Service Corporation ("CVPS") and Vermont Electric Cooperative, Inc. ("VEC") (collectively, the "Joint Petitioners") have requested the Vermont Public Service Board ("Board"), pursuant to 30 V.S.A. §§ 102, 109 and 231, to approve the transfer from VEC to CVPS of the assets and electric service territory owned by VEC in its Southern District (the "Acquisition"). Southern District towns include Andover, Dover, Guilford, Halifax, Jamaica, Marlboro, Newfane, Readsboro, Townshend, Vernon, Wardsboro, Whitingham, Wilmington and Windham, Vermont. The Joint Petitioners have entered into a Memorandum of Understanding ("MOU"), as well as a First Amendment to the MOU and a Second Amendment to the MOU, with the Department of Public Service ("Department") that

would, if approved by the Board, resolve the issues in this proceeding. In the MOU, the parties request that the Board issue an order approving the Acquisition.

Based on my review of the record, I conclude that the Board should approve the MOU and its two amendments and, accordingly, should approve the Acquisition.

II. PROCEDURAL HISTORY

On July 28, 2006, VEC and CVPS filed a joint petition seeking approval to transfer VEC's assets in its Southern District to CVPS. The July 28 filing included the prefiled testimony and exhibits of Michael L. Bursell, Joseph M. Kraus, and Edmund F. Ryan in support of the joint petition.

On September 14, 2006, I held a prehearing conference at which a schedule for this proceeding was established. The schedule set a deadline for the filing of a settlement or, in the absence of a settlement, a proposed schedule for further proceedings. I issued a Prehearing Conference Memorandum on September 20, 2006.

At the prehearing conference, I also identified a number of issues on which I requested the Joint Petitioners to provide additional information. CVPS responded to the information requests on October 16, 2006, and VEC responded on October 17, 2006.¹

On October 23, 2006, after due notice,² a public hearing was held at the Windham Superior Court in Newfane, Vermont. At the public hearing, a number of members of the public spoke. The public commenters asked questions regarding the sale, to which VEC and CVPS responded. As a result of the questions raised at the public hearing, the Board issued a Memorandum to the Joint Petitioners on October 31, 2006, seeking written responses to a number of questions. VEC and CVPS each submitted responses to the questions on November 8, 2006. (Exhibits CVPS-1 and VEC-MLB-5, respectively).

VEC, CVPS and the Department engaged in discovery and discussions over a period of several months, and on November 13, 2006, VEC, CVPS and the Department submitted the

1. At the technical hearing held on November 17, 2006, CVPS's and VEC's responses were entered into the record as Exhibit CVPS-2 and Exhibit VEC-MLB-6, respectively.

2. VEC provided notice on all members' bills and on its website.

MOU, in which they agreed that, subject to the terms of the MOU, the transfer of assets of the Southern District from VEC to CVPS would promote the public and general good of the state. On November 14, 2006, the parties submitted a First Amendment to Memorandum of Understanding, which added an agreed-upon term that had been omitted from the November 13, 2006, MOU and corrected a format problem. Included as Exhibit A to the First Amendment was an Amended and Restated MOU. On November 17, 2006, the parties submitted a Second Amendment to Memorandum of Understanding, which clarified a term that was included in the November 13, 2006, MOU.³ The parties submitted a draft Proposal for Decision on November 14, 2006, and a revised draft Proposal for Decision on November 21, 2006.

On November 2, 2006, the Board issued a notice of a technical hearing to be held on the MOU on November 17, 2006. A technical hearing was held on November 17, 2006, as scheduled, at the Public Service Board.

III. FINDINGS

Based on the evidence in the record in this docket, I hereby report the following findings to the Board in accordance with 30 V.S.A. § 8.

1. CVPS, with a principal place of business in Rutland, Vermont, is duly organized and existing under the laws of the State of Vermont and is a Vermont investor-owned electric utility as defined by 30 V.S.A. § 201; as such, CVPS is subject to the jurisdiction of the Board pursuant to 30 V.S.A. § 203. CVPS is engaged primarily in distributing and selling electricity in Vermont to over 153,000 customers. Exh. Joint-1 at ¶ 1.

2. VEC, with a principal place of business in Johnson, Vermont, is duly organized and existing under the laws of the State of Vermont and is a Vermont cooperative electric company as defined by 30 V.S.A. § 201; as such, VEC is subject to the jurisdiction of the Board pursuant to 30 V.S.A. § 203. VEC currently serves approximately 35,000 members. Exh. Joint-1 at ¶ 2.

3. At the November 21 technical hearing, the Restated MOU, the First Amendment, and the Second Amendment were entered into the record as Exhibits Joint-1, Joint-2, and Joint-3, respectively.

3. Part of VEC's franchise areas includes the electric distribution system and facilities in the towns of Andover, Dover, Guilford, Halifax, Jamaica, Marlboro, Newfane, Readsboro, Townshend, Vernon, Wardsboro, Whitingham, Wilmington and Windham, Vermont (the "Southern District"). In those towns, VEC serves approximately 2,700 members. Bursell pf. at 1.

4. On July 27, 2006, CVPS and VEC entered into a Purchase and Sale Agreement ("Agreement"), pursuant to which CVPS will acquire VEC's assets that make up the Southern District (the "Assets"). The purchase price as stated in the Agreement is 80% of the net book value of the Assets as of the closing, approximately \$4,000,000. Kraus pf. at 3; Bursell pf. at 1-2; exh. Joint-1 at ¶ 3.

5. VEC's decision to sell its Southern District Assets is the culmination of an analysis that VEC agreed to undertake in a Memorandum of Understanding with the Department in Docket Nos. 6850 and 6853. In that MOU, VEC agreed to analyze options for reducing the cost of serving the Southern District, including the option of transferring the Southern District to another utility. Exh. Joint-1 at ¶ 4.

6. Presently, VEC's Southern District members are served under its Zone 1 rates. Upon closing, the rates of the customers in the Southern District would be converted to CVPS's rates. Although the cost to serve the Southern District, which is very rural with low customer densities, would be more than CVPS's average cost to serve an incremental customer, residential customers in the Southern District would see rates decrease by approximately 13%, including the effects of the pending rate settlement in the current CVPS rate case (Docket No. 7191). The four commercial customers in the Southern District would see a rate increase of 4.6%. In addition to the above rate effects, all customers in the Southern District would avoid a rate increase of 8.41% that VEC requested in a filing on November 15, 2006, to be effective January 1, 2007. While CVPS can accomplish the transaction without the need for a rate increase, the acquisition would likely increase CVPS's overall cost to serve customers. Kraus pf. at 5; tr. 11/17/06 at 35 (Kraus); exh. Joint-1 at ¶ 5.

7. VEC would realize a reduction of \$496,372 in its annual revenue requirement as a result of the sale. VEC reflected this benefit in the rate case which it filed on November 15, 2006.

That filing seeks a rate increase of 8.41%, but indicates that the increase would be reduced to 7.97% if the sale of the Southern District is closed in 2006. Exh. Joint-1 at ¶ 6.

8. CVPS expects that it can fully transition all of VEC's customers to CVPS's Service Quality and Reliability ("SQRP") standards within thirty to sixty days following the closing. Kraus pf. at 9; exh. Joint-1 at ¶ 7.

9. CVPS has verbally offered employment to the five VEC employees who currently work out of the Southern District service center in Wilmington. The five employees are represented by the International Brotherhood of Electrical Workers ("IBEW"). CVPS's understanding at the time of the MOU was that the five VEC employees anticipate accepting CVPS's offer. CVPS is working with the IBEW to complete a written agreement. Kraus pf. at 9; exh. Joint-1 at ¶ 8.

10. CVPS proposes that the excess of the net book value over the purchase price and direct acquisition and transition costs be recorded to Account 114, Electric Plant Acquisition Adjustment. The balance in the Plant Acquisition Account would be calculated by subtracting the incremental direct acquisition costs (Sample Pole Inspection) from the excess of the net book value over the purchase price. Exh. Joint-1 at ¶ 9.

11. Because the excess of net book value over the purchase price makes up almost the entire balance of this account, the account should be amortized over the estimated remaining life of the utility assets which gave rise to the account balance. The amortization of the Plant Acquisition Adjustment would result in a credit to the income statement which would partially offset the depreciation expense CVPS would be recording on the utility assets acquired by CVPS from VEC. Exh. Joint-1 at ¶ 10.

12. The Department and CVPS have requested that the Board allow CVPS to record the excess of the net book value over the purchase price and the incremental direct acquisition costs to Account 114, Electric Plant Acquisition Adjustment, and allow CVPS to amortize the Electric Plant Acquisition Adjustment over the estimated average remaining life of the VEC fixed assets acquired. In accordance with the Federal Energy Regulatory Commission ("FERC") Uniform System of Accounts, the Department recommends the Board issue an Accounting Order authorizing the amortization of the Electric Plant Acquisition Adjustment to be charged to Account 406-Amortization of Electric Plant Acquisition Adjustment, where it will be includable

above the line for ratemaking purposes. The requested amortization would begin immediately upon the closing of the acquisition. Exh. Joint-1 at ¶ 11.

13. CVPS would incur the following direct, incremental one-time costs for integrating the Southern District and serving the Southern District customers as part of CVPS's current operations:

Field Inventory	\$ 60,000
Short lived line worker tools	\$ 48,000
Data Conversion & Integration	\$ 35,000
Direct Mailing	<u>\$ 1,700</u>
Total	\$144,700

Exh. Joint-1 at ¶ 12.

14. Because these costs are direct, one-time and incremental to the ongoing costs of operating the Southern District system and of serving the Southern District customers, if they are not recovered via deferral and amortization, they will not be recovered by CVPS at all. Under current accounting rules such costs are expensed, and absent authorization from the Board, CVPS cannot capitalize these costs for subsequent recovery and amortization into rates. CVPS has agreed to provide, as soon as reasonably available after the closing, an accurate post-closing accounting of the actual amounts deferred, with their GAAP or FERC account justification. Exh. Joint-1 at ¶ 13.

15. The Department and CVPS have requested that the Board issue, as part of its Order in this docket, an accounting order which approves the deferral of the aforementioned direct, one-time incremental costs, associated with the integration of Southern District customers, to CVPS Account 186.0 Miscellaneous Deferred Debits. These costs would be eligible to be amortized to cost of service beginning at the earlier of the beginning of the rate year in CVPS's next retail rate proceeding or the implementation of any change in depreciation rates that results in a decrease in depreciation expense in an amount that is equal to or greater than the amortization of the one-time integration costs for the period. Exh. Joint-1 at ¶ 15.⁴

4. While the Department agrees to the issuance of an Accounting Order in this matter, the parties acknowledge and agree that the Department reserves the right to analyze and review the treatment of such costs in future acquisition transactions on a case-by-case basis. Exh. Joint-1 at ¶16.

16. In an Amendment to its next Integrated Resource Plan ("IRP") filed with the Board, CVPS will identify and describe the efficiencies and reliability improvements available as a result of this acquisition and the merger of service territories. To the extent that such efficiencies and/or reliability improvements have not been realized as of the date of such filing, CVPS will identify the status and expected completion date of each. Said Amendment to the IRP must be filed no later than 18 months after the filing of CVPS's next IRP. Exh. Joint-2 at ¶ 17; exh. Joint-3.

17. In the Memorandum of Understanding between VEC and the Department in Docket No. 7120, VEC agreed to increase its budget for vegetation maintenance to \$1,600,000 in 2007, \$1,900,000 in 2008, and \$2,200,000 in 2009, based on VEC's service territory as it existed at the time of the MOU. With the sale of the Southern District, VEC's vegetative maintenance budget should be adjusted to \$1,424,000 for 2007, \$1,691,000 for 2008, and \$1,958,000 for 2009. Exh. Joint-1 at ¶ 18.

18. The sale will result in changed allocations of power from Qualifying Facilities under the program administered by VEPPI. CVPS and VEC will consult with VEPPI to ascertain what the changed allocation will be. If a new allocation cannot be implemented promptly after closing, VEC will elect to either (i) resell the un-reallocated portion to CVPS at cost or (ii) keep the un-reallocated portion for its own needs, each until such time as the new allocation is implemented. Exh. Joint-1 at ¶ 19.

19. VEC currently purchases power from the Connie Miller/Haverhill Mill QF project in Halifax, Vermont, pursuant to a contract dated March 15, 2006 (the "CM Contract").⁵ The rate under the CM Contract is \$75/mWh, for a term expiring December 31, 2031. Yearly charges under the CM Contract are less than \$2,000. At the Closing, the CM Contract will be assigned to CVPS. Exh. Joint-1 at ¶ 20.

20. In the MOU, the Department and CVPS agree that accounts in the former VEC Southern District that have historically had two meter readings added together for purposes of billing (the so-called "additive-meter" accounts) will continue to be billed by CVPS by adding these meter

5. See VEC Notice to the Board under Board Rule 5.200 re Connie Miller, dated March 2006, and the Department's response thereto, dated June 12, 2006.

readings together during a grace period extending until December 31, 2008.⁶ CVPS will give specific written notice to each two-meter customer regarding the grace period and the increased charges (additional customer charge) that will be incurred if the customer does not re-wire. The notice will be given at least three times during the grace period, and will give a telephone number to call for more information. During such time, the customer may take action to have all electric load re-wired to the main meter account. After December 31, 2008, CVPS will no longer add meter readings together. If the customer has not re-wired and the Company has not removed the second meter, then the accounts will be billed separately. Exh. Joint-1 at ¶ 21; tr. 11/17/06 at 34 (Kraus).

21. CVPS will not provide retail service to the approximately 12 customers VEC is currently servicing in Massachusetts. CVPS and VEC have agreed upon a methodology to permit the Western Massachusetts Electric Company ("WMECO") to begin serving those customers as of the closing. This methodology anticipates a so-called "borderline agreement" through which CVPS will sell power at its applicable retail rates to WMECO at meter points near the Vermont-Massachusetts border, and WMECO will own the facilities and serve the customers in Massachusetts. The "borderline agreement" is subject to FERC approval, as it involves the purchase of power by WMECO for resale. CVPS proposes to charge WMECO as if it were a retail customer at the four meter points. Bursell pf. at 8; exh. Joint-1 at ¶ 22.

22. VEC has been providing line construction, maintenance and repair services to the Village of Readsboro Electric Department ("Readsboro") and the Village of Jacksonville Electric Department ("Jacksonville"). With the pending sale of the Southern District, VEC sent letters to Readsboro and Jacksonville on August 24, 2006, notifying them that it would no longer provide services to them after December 8, 2006. Had VEC not entered an agreement to sell its Southern District, it would have increased its rates for the services provided to Readsboro and Jacksonville, due to increases in VEC's costs. Exh. VEC-MLB-5 at 2-3, and at Attachments 7-A and 7-B.

6. In the entire VEC system, approximately 1400 customers have additive meters. The exact number of additive-meter customers in the Southern District is unknown, although approximately four percent of VEC customers are located in the Southern District. Tr. 11/17/06 at 32 (Bursell).

23. CVPS offered to provide similar service to Jacksonville and Readsboro, with CVPS's rates for the services approximately 20 percent higher than the municipalities had been paying to VEC. Jacksonville and Readsboro have, instead, accepted an offer from another utility to provide those services. Tr. 11/17/06 at 29–30 (Kraus).

24. The Acquisition by CVPS of VEC's Southern District will provide benefits to the State of Vermont, to the ratepayers in the Southern District, and to VEC's remaining ratepayers. Those benefits include the following:

- a. Residential VEC customers in the Southern District will see an approximate 13% reduction in rates and will avoid the impacts of VEC's request to increase rates January 1, 2007; the four commercial customers, while seeing a 4.6% increase in rates, will similarly avoid VEC's requested 8.41% January 1 rate increase. Exh. Joint-1 at ¶¶ 5, 23; tr. 11/17/06 at 35 (Kraus).
- b. The Acquisition can be accomplished without a rate increase or other change to the existing rate structure of CVPS. Kraus pf. at 5; exh. Joint-1 at ¶ 23.
- c. The Acquisition will expand CVPS's customer base without CVPS incurring material incremental operating costs, although the acquisition will likely increase CVPS's overall cost to serve customers. Kraus pf. at 6; exh. Joint-1 at ¶ 23.
- d. The Acquisition will give the current VEC customers in the Southern District the opportunity to be served by CVPS with the same benefits and rights afforded to all of CVPS's existing customers. Kraus pf. at 9, 12; exh. Joint-1 at ¶ 23.
- e. After the Acquisition, CVPS's SQRPs standards will apply to the Southern District customers. Kraus pf. at 9; exh. Joint-1 at ¶ 23.
- f. The Southern District customers will be served by CVPS's customer service and operations departments, which should include, after the Acquisition, the five employees that currently service the Southern District. Kraus pf. at 4; exh. Joint-1 at ¶ 23.
- g. The Southern District electric system will be maintained and updated in accordance with CVPS's policies and practices. Kraus pf. at 6-7; exh. Joint-1 at 9ok, ¶ 23.

- h. The five VEC employees who currently serve in the Southern District have been offered a comparable full time position by CVPS, thus promoting stability both for the employees and for the Southern District customers. Kraus pf. at 4; exh. Joint-1 at ¶ 23.
- i. Remaining VEC members will benefit because the sale will reduce VEC's annual revenue requirement by \$496,372, thus resulting in a lower rate increase request with the sale to CVPS than without. Exh. Joint-1 at ¶ 23.
- j. The Acquisition will reduce the number of utilities serving ratepayers in southern Vermont, thereby promoting the State policy of rationalizing service territories. Kraus pf. at 12; exh. Joint-1 at ¶ 23.
- k. The Acquisition will allow VEC to eliminate a part of its service territory that was non-contiguous and remote from its other territory, thereby allowing it to better focus on service to its remaining territory in northern Vermont. Bursell pf. at 6; exh. Joint-1 at ¶ 23.

IV. DISCUSSION

The findings set forth above demonstrate that the proposed Acquisition will provide benefits to VEC, the VEC members in its Southern District, CVPS, and the state as a whole. However, two concerns that have been raised by public comments merit further discussion.⁷

First, a number of VEC's members in the Southern District have questioned whether, as member-owners of VEC, they should receive some compensation for the sale of the Southern District. In response, VEC has explained that its bylaws and its indenture contain restrictions that preclude the return of capital credits to its members at the current time. (In fact, to the best of VEC's knowledge, it has never returned capital credits to its members.) Even with these restrictions, VEC has set a goal of being in a position to return capital credits to its members, including former members in the Southern District, within the next three years; if VEC achieves this goal, VEC's Board of Directors would then decide whether to distribute capital credits to

7. In a memorandum issued on October 31, 2006, the Board asked VEC and CVPS to address these and other issues raised by public comments.

members or to reinvest the income in capital improvements. Should VEC ever return capital credits, each former member in VEC's Southern District would retain the rights to his or her capital credit balance, and would therefore be eligible to receive his or her appropriate share of any distribution.⁸ In distributing capital credits, VEC must undertake "reasonable search and inquiry" to locate the members and former members to whom distributions are payable.⁹

Second, as a result of VEC's sale of its Southern District, VEC will no longer be providing line construction, maintenance and repair services to the neighboring municipal systems in Readsboro and Jacksonville. At the November 17 technical hearing, CVPS presented testimony that Readsboro and Jacksonville have now entered an agreement with another utility to provide those services as of the closing of the Acquisition.¹⁰ Neither CVPS nor VEC is aware of any issues related to the transition of those services from VEC to the new utility provider.¹¹ If CVPS and VEC become aware of transitional issues, they should notify the Board and Department, and would be expected to work in good faith with Readsboro, Jacksonville, and the new provider of services to resolve those issues.

Thus, Readsboro and Jacksonville have secured an alternative provider, and there appear to be no outstanding issues related to the continuation of these necessary services to the municipal systems.

V. CONCLUSION

Based on the above findings, I reach the following conclusions:

- (1) The Acquisition by CVPS of the Assets in VEC's Southern District, as defined by the Agreement, will promote the public and general good of the state;
- (2) The sale of the Assets by VEC contemplated in the Joint Petition will promote the general good of the state, pursuant to 30 V.S.A. § 109;
- (3) The ownership and operation by CVPS of the public utility business within the Southern District will promote the public good and is consistent with the general good of the state, pursuant to 30 V.S.A. §§ 102 and 231(a); and

8. Bursell pf. at 7; exh. VEC-MLB-5 at 1, and at Attachments 1-A and 3-A.

9. Exh. VEC-MLB-5 at Attachment 3-A.

10. Tr. 11/17/06 at 30 (Kraus).

11. Tr. 11/17/06 at 30–31 (Kraus, Bursell).

(4) The assignment to CVPS of the power purchase contract, dated March 15, 2006, between VEC and the Connie Miller/Haverhill Mill QF project in Halifax, Vermont, will promote the public and general good of the state.

The parties, in accordance with 3 V.S.A. § 811, have waived the opportunity to file exceptions and present briefs and oral arguments with respect to a proposal for decision to be issued in this case, provided that the proposal for decision is consistent with the MOU. Because this proposal for decision is consistent with the MOU, it has not been served on the parties.

Dated at Montpelier, Vermont, this 29th day of November, 2006.

s/Kurt R. Janson
Kurt R. Janson, Esq.
Hearing Officer

VI. BOARD DISCUSSION

We adopt the findings, recommendations, and conclusions of the Hearing Officer, with one exception. The parties' proposed elimination of additive-meter accounts would require those customers to choose between incurring the cost of re-wiring in order to be served by a single meter, or continuing with two meters and thereby incurring a second customer charge every month. The parties have not provided sufficient justification for imposing these additional costs on the additive-meter customers in the Southern District. Therefore, for these customers we will require CVPS to continue VEC's practice of adding the meter readings for purposes of billing. As an alternative, CVPS may propose a plan, subject to Board approval, for elimination of the additive-meter accounts at no cost to the additive-meter customers.¹²

VII. ORDER

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont that:

1. The Findings and Conclusions of the Hearing Officer are hereby adopted and affirmed by the Board, as modified above.
2. The Memorandum of Understanding filed by the parties on November 13, 2006, as amended by the First Amendment to Memorandum of Understanding filed on November 14, 2006, and by the Second Amendment to Memorandum of Understanding filed on November 17, 2006, is hereby approved, except for the proposed elimination of additive-meter accounts.
3. The acquisition of the assets of Vermont Electric Cooperative, Inc.'s Southern District by Central Vermont Public Service Corporation as set forth in the Joint Petition, prefiled testimony, and exhibits is approved. This transaction will promote the public good, and therefore, a Certificate of Consent for the transfer shall be issued pursuant to 30 V.S.A. § 109.

12. The MOU provides the following:

If the Board does not accept the Memorandum of Understanding substantially in its entirety, the Memorandum of Understanding shall, at the option of any party hereto, be deemed to be null and void and without effect, and shall not constitute any part of the record in this proceeding and shall not be used for any other purpose.

Exh. Joint-1 at ¶ 21; exh. Joint-2. If any party believes that our treatment of the additive-meter accounts substantially alters the MOU, that party may take such action as it believes appropriate under the MOU.

4. Within ten days of the closing of the Acquisition, the parties shall notify the Board that this transaction has occurred.

5. CVPS and VEC shall provide the Board and Department with a complete set of final Purchase & Sale Agreement schedules when they are available after the closing.

6. All transactions required of CVPS and VEC by the Agreement are approved.

7. CVPS is allowed to defer incremental costs associated with the acquisition and transition of VEC plant and customers to Account 186.0 Miscellaneous Deferred Debits. These costs shall be eligible to be amortized to cost of service at the earlier of the beginning of the rate year in CVPS's next retail rate proceeding or the implementation of any change in depreciation rates that results in a decrease in depreciation expense in an amount that is equal to or greater than the amortization of the one-time integration costs for the period. This Accounting Order is limited to the accounting treatment for the subject costs and does not bar any party from contesting or the Board from determining or disallowing the reasonableness or prudence of such costs, in whole or in part, in any rate proceeding in which the subject costs are included in the cost of service. Nothing in this Accounting Order shall have any precedential effect.

8. CVPS is allowed to record the excess of the net book value over the purchase price and the direct acquisition and transition costs to Account 114, Electric Plant Acquisition Adjustment, and allowed to amortize the Electric Plant Acquisition Adjustment over the estimated average remaining life of the VEC fixed assets acquired; said amortization is to be recorded to Account 406 – Amortization of Electric Plant Acquisition Adjustment.

9. Accounts in the former VEC Southern District that have historically had two meter readings added together for purposes of billing (the so-called "additive-meter" accounts) shall continue to be billed by CVPS by adding these meter readings together. In the alternative, CVPS may propose a plan, subject to Board approval, for elimination of the additive-meter accounts at no cost to the additive-meter customers.

Dated at Montpelier, Vermont, this 4th day of December, 2006.

<u>s/James Volz</u>)	
)	PUBLIC SERVICE
)	
<u>s/David C. Coen</u>)	BOARD
)	
)	OF VERMONT
<u>s/John D. Burke</u>)	

OFFICE OF THE CLERK

FILED: December 4, 2006

ATTEST: s/Susan M. Hudson
Clerk of the Board

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: psb.clerk@state.vt.us)

Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.